

## Message Text

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PAGE 01 STATE 194680

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ORIGIN OES-04

INFO OCT-01 ARA-06 EUR-12 ISO-00 FEA-01 ACDA-05 CIAE-00

INR-07 IO-10 L-03 NSAE-00 NSC-05 EB-07 NRC-05 DODE-00

PM-04 SP-02 ERDA-05 SS-15 CU-02 COME-00 TRSE-00 /094 R

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APPROVED BY OES:HDBENGELSDORF

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S/P - KAHAN

ARA/BR - ELTZ C:KELLY

ACDA - VAN DOREN

L/OES - BETTAUER S/S:CABORG

PM/NPO - NOSENZO

ACDA - DAVIES

ERDA - SC;ILLER

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P R 152356Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

INFO AMCONSUL RIO DE JANEIRO

AMEMBASSY BONN

AMEMBASSY VIENNA

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E.O. 11652: GDS

TAGS: TGEN, TECH, BR

SUBJECT:GENERAL ATOMIC NUCLEAR AGREEMENT WITH NUCLEBRAS

REF: BRASILIA 7039

1. BEGIN SUMMARY: DEPARTMENT AND ERDA WERE BRIEFED BY  
GA OFFICIALS ON SUBJECT TECHNICAL EXCHANGE AGREEMENT ON THE  
EVE OF GA'S CURRENT VISIT TO BRAZIL. WE UNDERSTAND THAT  
THE SUBJECT AGREEMENT WITH NUCLEBRAS, WHICH IS CONFINED  
TO THE TECHNOLOGY OF THE GAS COOLED FAST BREEDER REACTOR  
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PAGE 02 STATE 194680

(GCFR), HAS BEEN IN EFFECT SINCE AUGUST 1973 AND THAT THE

PROPOSED TWO-YEAR RENEWAL WOULD SERVE TO AUTHORIZE THE CONTINUATION OF MUTUALLY BENEFICIAL WORK THAT ALREADY IS WELL UNDERWAY. THE EXCHANGE AGREEMENT FALLS WITHIN THE SCOPE OF THE GENERAL AUTHORIZATION OF 10CFR810 PERMITTING UNCLASSIFIED REACTOR TECHNOLOGY EXCHANGES WITH NON-SOVIET BLOC COUNTRIES AND THUS GA IS OPERATING ENTIRELY WITHIN ITS PREROGATIVES IN UNDERTAKING SUCH COOPERATION. IN RECOGNITION, HOWEVER, OF THE CURRENT SENSITIVITIES WITHIN THE U.S. EMANATING FROM THE FRG-BRAZIL ARRANGEMENT, GA NEVERTHELESS UNDERTOOK TO ADVISE US OF THE ARRANGEMENT. WHILE WE ARE CONCERNED THAT EXCESSIVE PUBLICITY IN THIS ARRANGEMENT COULD LEAD TO DISTORTIONS AND MISINTERPRETATIONS OF WHAT IS CONTEMPLATED, IT IS OUR JUDGMENT FROM A SUBSTANTIVE STANDPOINT THE PROPOSED ARRANGEMENT IS ENTIRELY

DEFENSIBLE. IT HOLDS PROMISE OF USEFUL RETURNS FOR THE US GCFR PROGRAM, AND IT WOULD GO BEYOND THE SCOPE OF OUR CURRENT REGULATIONS FOR THE USG TO SEEK TO PREVENT THE ARRANGEMENT. WHILE GA WAS INTERESTED TO LEARN OF OUR REACTIONS IT HAS NEITHER ASKED US TO FORMALLY REVIEW THE PROPOSED RENEWAL NOR IS OBLIGED TO DO SO AND CONTRARY TO REFTTEL NO REVIEW IS UNDERWAY. END SUMMARY.

2. THE PRINCIPAL FACTORS THAT WERE REPORTED TO US BY GA DURING OUR RECENT BRIEFING ARE AS FOLLOWS:

3. THE PROPOSED EXCHANGE IS LIMITED IN SCOPE TO THE GCFR WHICH GA HOPES TO SEE BROUGHT TO DEMONSTRATION REACTOR STAGE BY AROUND 1986, WITH COMMERCIAL SCALE-UP THEREAFTER. THE GA DESIGN FOR THE GCFR EMPLOYS THORIUM BLANKETS AND FOR THIS REASON IS OF OBVIOUS INTEREST TO COUNTRIES LIKE BRAZIL.

4. GA ALSO HAS EXCHANGE ARRANGEMENTS CONCERNING THE GCFR IN EFFECT WITH SWITZERLAND AND THE FRG.

5. UNDER THE TERMS OF THE ARRANGEMENT WITH NUCLEBRAS GA HAS AGREED TO PROVIDE TO NUCLEBRAS PUBLISHED REPORTS AND DATA ON THE GCFR TO THE EXTENT IT IS PRIVILEGED TO DO LIMITED OFFICIAL USE

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PAGE 03 STATE 194680

SO. NUCLEBRAS HAS THE OPPORTUNITY TO ASSIGN A LIMITED NUMBER OF SCIENTISTS TO PARTICIPATE IN THE GA GCFR PROGRAM FOR UP TO ONE YEAR AT GA'S FACILITIES IN SAN DIEGO. NUCLEBRAS MAY USE THE INFORMATION IT THUS RECEIVES ONLY FOR THE PURPOSE OF PERFORMING ITS ASSIGNED TASKS UNDER THE EXCHANGE AGREEMENT, AND MAY NOT TRANSMIT IT TO ANY THIRD PARTY UNLESS GA SPECIFICALLY CONSENTS.

6. GA BELIEVES THAT THE CURRENT EXCHANGE IS PROVING TO BE EXTREMELY VALUABLE FROM ITS STANDPOINT AND HAS STRESSED THAT IT IS DERIVING SUBSTANTIAL BENEFIT AND RESEARCH SERVICES FROM NUCLEBRAS. AMONG OTHER THINGS NUCLEBRAS IS UNDERTAKING THE CONSTRUCTION OF A MODEL FOR THE PRE-STRESSED CONCRETE PRESSURE VESSEL FOR THE GCFR, IS PERFORMING HEAT TRANSFER AND MATERIALS RESEARCH IN A HELIUM LOOP (WHICH BRAZIL REPORTEDLY HAS INSTALLED AT A COST OF \$2 MILLION), AND IS CONTINUING VARIOUS PHYSICS STUDIES AND EXPERIMENTS, INCLUDING STUDIES OF THORIUM METALS AND OXIDE BLANKETS FOR LARGE GCFRS. GA HAS ESTIMATED THAT THE BRAZILIANS HAVE APPROXIMATELY 70 PEOPLE WORKING UNDER THE EXCHANGE AGREEMENT IN SUPPORT OF THE GCFR. THUS, IN RETURN FOR THE UNCLASSIFIED INFORMATION IT IS PROVIDING GA ESTIMATES IT IS RECEIVING THE BENEFITS OF APPROXIMATELY \$1 1/2 TO \$2 MILLION WORTH

OF WORK OUT OF THE BRAZILIAN EFFORT. WE UNDERSTAND THAT THERE IS NO TRANSFER OF FUNDS UNDER THE EXCHANGE AGREEMENT.

7. IN THE COURSE OF THEIR MEETING WITH THE GA REPS, THE DEPARTMENT AND ERDA OFFICERS INFORMALLY INDICATED THAT THE TIMING OF THE RENEWAL OF THE PROPOSED ACCORD WAS SOMEWHAT UNFORTUNATE, GIVEN THE RECENT ADVERSE PUBLICITY WITHIN THE U.S. ABOUT THE BRAZIL PROGRAM THAT HAD EVOLVED DUE TO CONCERNS ABOUT THE FRG-BRAZIL ARRANGEMENT. IN RESPONSE TO INQUIRIES, AS TO WHETHER A DEFERRAL OF THE RENEWAL WOULD BE FEASIBLE THE GA REPS INDICATED QUITE FORCEFULLY THAT THEY DID NOT BELIEVE THE TIMING OF SIGNATURE, WHICH HAD ALREADY BEEN SCHEDULED, COULD BE DEFERRED WITHOUT AROUSING SERIOUS SUSPICIONS IN THE EYES OF THE BRAZILIANS. THE DEPARTMENT OFFICERS NOTED THAT LIMITED OFFICIAL USE

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PAGE 04 STATE 194680

THE GA ASSESSMENT CONCERNING POTENTIAL BRAZILIAN SUSPICIONS APPEARED TO BE REASONABLE, BUT ALSO EXPRESSED THE HOPE THAT THE PUBLICITY ASSOCIATED WITH THE RENEWAL COULD BE KEPT AT A LOW-KEY, WITH EMPHASIS THAT THE COOPERATION INVOLVES A LONGER-RANGE REACTOR TYPE NOT YET BROUGHT TO DEMONSTRATION. THE GA REPS ALSO AGREED THAT ANY PUBLICITY SHOULD STRESS THE RECIPROCAL NATURE OF THE EXCHANGE AND THE FACT THE BRAZILIAN INVOLVEMENT IS PRIMARILY SUPPORTIVE TO THE US GCFR PROGRAM.

8. FINALLY, DESPITE THE LACK OF LEGAL NECESSITY, WE NOTED IT WOULD BE HELPFUL IF GA WOULD INCLUDE IN ITS AGREEMENT WITH NUCLEBRAS A CLAUSE MAKING THE RIGHTS AND DUTIES UNDER AGREEMENT EXPLICITLY SUBJECT TO US AND BRAZILIAN LAWS AND REGULATIONS. WE STRESSED THAT THIS WOULD

MAKE IT EASIER TO INSURE THAT GA-NUCLEBRAS COOPERATION WOULD CONFORM WITH ANY EVOLVING US EXPORT REGULATIONS. THE GA REPS AGREED THAT THIS WAS A GOOD IDEA AND UNDERTOOK TO EXPLORE THE INCORPORATION OF SUCH A CLAUSE IN THE TEXT OF THE RENEWAL AGREEMENT.

9. DEPARTMENT WISHES THIS MATTER TO BE HANDLED ON AS LOW-KEY A BASIS AS POSSIBLE AND EMBASSY IS REQUESTED TO AVOID ANY "INVOLVEMENT" IN RENEWAL OR ANY ACTION THAT WOULD SERVE TO DRAMATIZE THE ACCORD OR GIVE IT A POLITICAL FLAVOR. IN RESPONSE TO DIRECT INQUIRIES, EMBASSY CAN STATE ITS UNDERSTANDING THAT THIS IS A RECIPROCAL EXCHANGE ARRANGEMENT IN LONGER-RANGE NUCLEAR REACTOR RESEARCH; IS TYPE OF PRIVATE ARRANGEMENT WHICH IS AUTHORIZED UNDER US LAW AND REGULATION; AND IS SIMILAR TO OTHER ARRANGEMENTS WHICH U.S. INDUSTRY HAS IN EFFECT IN OTHER COUNTRIES. FOR DETAILS OF AGREEMENT, INQUIRERS SHOULD BE REFERRED TO NUCLEBRAS OR GA.

10. AS EMBASSY APPRECIATES OUR VIEWS ON THIS ARRANGEMENT OBVIOUSLY DO NOT PREJUDGE IN ANY WAY THE USG'S POSITION REGARDING ANY POSSIBLE EXPORT OF AN HTGR AND ITS FUEL TO BRAZIL. GENERAL ATOMIC IS AWARE OF THE SELECTIVE AND RESTRICTIVE PROCEDURES THAT WE ARE NOW APPLYING IN CONSIDERING ANY EXPORTS OF HIGHLY ENRICHED URANIUM. SISCO

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